


December 28, 2021

**FOR YOUR INFORMATION**

To: Mayor and Members of Council

From: Paula Boggs Muething, City Manager 

Subject: Property Tax Millage Overview

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The purpose of this memorandum is to provide a general overview of property taxes, information on the City's property tax revenue sources, and an overview of forthcoming Council action needed in early January 2022 to set property tax rates for Calendar Year (CY) 2023.

The City's property tax revenue is generated through the semi-annual property tax billing by the Hamilton County Auditor (County Auditor). The County Auditor collects property tax revenue on behalf of the City along with property taxes for Hamilton County, Cincinnati Public Schools, and various other taxing jurisdictions and levies.

In CY 2021 for a residential property in the City of Cincinnati with a market value of \$100,000, the total amount of property taxes collected was \$2,356. The City's portion of that collection was approximately \$388.25 (16% of the total) and is comprised of two parts: debt service millage (7.5 mills) and general operating millage (5.02 mills). The remaining amount is comprised of property taxes levied by other taxing jurisdictions, as shown in the attached Exhibit A.

Property taxes are computed by applying the levied tax rate to the assessed value of a given property, which under Ohio law is calculated as 35% of a property's market value. A "mill" is an expression of the property tax rate based on the amount of taxes payable per \$1,000 in assessed property tax value—with one mill equaling one dollar in taxes owed for every \$1,000 in assessed value. Below is an example of the calculation to compute the portion of property taxes owed to the City for a hypothetical residential property with a market value of \$100,000:

\$100,000 Market Value of Property X 35% = \$35,000 Assessed Value

|                                     |   |
|-------------------------------------|---|
| Debt Service:                       | $\$35,000 \times (7.50/1,000) = \$262.50$             |
| General Operating:                  | $\$35,000 \times (5.02/1,000) = \underline{\$175.70}$ |
| Total Annual City Property Tax Owed | \$438.20  |
| Less various credits*               | <u>\$ 49.95</u>                                       |
| <b>Remitted to the City</b>         | <b>\$388.25</b>                                       |

The two millage rates for the City (debt service and general operating) are set by City Council in January of each calendar year, as described further below. The revenue generated from the

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\* Note that there is additional complexity to the property tax calculation under state law that generally provides for various credits and exemptions. This example is intended as general example to demonstrate how millage rates are applied to market property values.

debt service millage is used to pay debt service for outstanding and anticipated bonds issued for the capital needs of the City. The operating millage generates revenue to pay for general operations of the City, such as police, fire, recreation, and public services. The City's Charter allows Council to levy up to 6.10 mills for the City's general operating expenses and millage in such amount necessary to generate sufficient revenue to cover debt service for the City's debt.

The chart in attached Exhibit B provides a breakdown of the historic millage rates since 1985. As shown on the chart, in 1999 City Council voted to set the millage for 2000 at a specific millage rate that resulted in the collection of approximately \$29 million, which was equal to the amount collected in 1999. Setting the millage rate to collect the specific amount of \$29 million is known as the "property tax rollback" and the practice has generally continued since then, in effect keeping operating property tax millage revenues flat for over two decades.

City Council must set both the City's operating and debt millage rates for CY 2023 by January 15, 2022. The millage rates are required to be set through the passage of a Tentative Tax Budget (TTB). The TTB is the basis for establishing the property tax millage rates, and it is the only opportunity for City Council to set the rates for CY 2023. Discussion of the CY 2023 TTB requires discussion of the City's current projections for the FY 2023 General Fund Budget, but City Council will still have the opportunity to set the actual fiscal year (FY) 2023 Budget through the normal budget approval process in June 2022.

At the Budget and Finance Committee Meeting on January 10, the Administration will provide an overview of two versions of the TTB for consideration by Council. Version A will set the operating millage at 6.10 mills, the maximum rate allowed under the Charter. Version B will set the operating millage at 4.96 mills, which is projected to collect approximately \$29 million and continue the rollback practice. The Administration recommends Version A, as the additional revenue is necessary to reduce the projected deficit amount for FY23. Version B will bring in less revenue and further exacerbate the projected deficit. Both scenarios maintain the current debt service millage rate of 7.50 mills.

Assistant City Manager Billy Weber and Karen Alder, the Finance Director, are available to meet with councilmembers individually to answer questions or to provide further explanation. Please feel free to contact Ms. Alder at 352-2551 to arrange a time if a meeting is desired.

#### Attachments

c: William "Billy" Weber, Assistant City Manager  
Karen Alder, Finance Director